



**Agenda Item Number: 2009-3-14B**

## **BERNALILLO COUNTY BOARD OF COUNTY COMMISSIONERS**

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**Meeting Date:** March 17, 2009

**Department:** Commissioner Art De La Cruz **Staff Contact:** Dolores Herrera, Commission Asst., Dist 2

**TITLE:** Impact Fee Waiver

**ACTION:** Discussion of potential waiver of Impact Fees for Economic Stimulus

### **SUMMARY:**

In order to stimulate the local economy, Commissioner Art De La Cruz has asked staff to review the effect of waiving impact fees in the unincorporated area of Bernalillo County.

Impact Fees are collected by the county to provide funding for roads, drainage, parks, open space and emergency management associated with new development. Fees are dependent on the amount of permitting activity within the county, which has lessened significantly over the last six months due to the downturn in both the local and national economies. Waiving fees for new development should allow business to take advantage of and undertake construction projects at a reduced cost, thereby generating additional revenues and helping to stabilize employment and market conditions within the metropolitan area.

Reducing the cost of construction activities by waiving County impact fees could affirmatively impact the decision by some entities to proceed with a project. This could help the construction sector, which in New Mexico has seen a year over year decline in jobs in 7 of the last 8 months of 2008. Economically, the construction sector in Bernalillo County has been hard hit, posting a -9.6% decline in taxable gross receipts from 2006-2007 (UNM, BBER). The state's Department of Workforce Solutions reports that the December 2008 unemployment rate was 4.5% in Bernalillo County—an increase of 55% over the 2.9% rate of one year ago.

Annual impact fee revenue has varied from a low of \$901,000 in FY01 to a high of \$1,597,720 in FY02. The revenue for the first two quarters of FY09 amounts to \$364,597. 2008 impact fee revenues averaged \$60,000 per month, with approximately 50% generated by expansion of existing facilities and the remaining 50% coming from new projects. If waiving the impact fees returned new construction to the previous (2008) level, the economic activity would be as follows:

1. \$78,100,000 in new construction
2. \$4,480,988 total gross receipts tax generated in the community
  - a. \$448,099 GRT to Bernalillo County
3. \$720,000 in County Zoning Fees
4. \$39,754,267 in construction material sales
5. \$7,361,901 in design costs
6. 530 direct jobs valued at \$26,502,845
7. 1152 indirect jobs

8. \$50,938,467 additional income generated
9. \$2,922,595 addition GRT to the community
  - a. \$292,259 in GRT to Bernalillo County
10. \$66,385,000 in property value added to the tax rolls
  - a. \$22,128,333 in taxable valuation added
  - b. Approx. \$175,000 in new annual property tax income for Bernalillo County

Based upon the premise that the new construction would not occur without the impact fee waiver, the new revenues generated from gross receipts tax and property tax (\$915,358) could be used to offset the \$720,000 cost associated with this model.

Any impact fees waived during the moratorium period are required by state law to be replaced by other sources of revenue to provide the necessary facilities and equipment normally paid for by impact fees. Staff would monitor the level of permitting activity to determine the overall benefit of the moratorium.

The County's liability for waived impact fees will be determined by district and function as the fees are waived. As each impact fee is waived the Impact Fee Coordinator will accumulate the cost of the waived fees for the appropriate district and function such as fire/EMS, roads, drainage, parks and open space. Primary sources for funding of the waived impact fees will be bond funds and the general fund.

## **FISCAL IMPACT**

The amount of impact fees waived, approximately \$60,000 per month (\$720,000 per year) must be budgeted to replace the waived impact fees. Primary sources for replacement funds are General Obligation Bonds and the General Fund.

Bond Funds, when available, can be used in lieu of Impact Fees for the following:

- a. Parks and Recreation improvements
- b. Road improvements and Regional Roadways
- c. Drainage improvements
- d. Open Space Infrastructure
- e. Fire & Emergency Management

Remaining Expenditures would become a budgeted item in the General Fund.

## **STAFF ANALYSIS SUMMARY**

### **COUNTY MANAGER**

It is difficult to determine the exact cost of waiving fees but the potential positive economic impact could outweigh the County financial implications. I recommend the Board authorize a short trial period for this waiver. TL 2/19/2009

### **DEPUTY COUNTY MANAGER FOR FINANCE**

The County would be required to utilize funds from a revenue source other than non recoupment impact fees to offset the impact fee revenue lost as a result of impact fees waived during the waiver period. See fiscal impact statement. Dan Mayfield, 2/17/09

### **LEGAL**

Facilitating the proposed waiver may require amending our Impact Fee Ordinance. PFT 3/6/09